BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures, and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking R.14-08-013

COMMUNITY ENVIRONMENTAL COUNCIL OPENING COMMENTS ON DRP GUIDANCE

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COMMUNITY ENVIRONMENTAL COUNCIL
OPENING COMMENTS ON DRP GUIDANCE

The Community Environmental Council ("Council") respectfully submits the enclosed comments on the Administrative Law Judge's DRP guidance document ("DRP Guidance"), mailed on November 14, 2014**.**

The Community Environmental Council (Council) is a member-supported environmental non-profit organization formed in Santa Barbara in 1970 and is the leading environmental organization in the Central Coast region of California. The Council is a member of the steering committee of the Plug in Central Coast (PCC), one of the EV Readiness regions funded by the Department of Energy and the California Energy Commission. The Council provided significant input into PCC's forthcoming EV Readiness Plan, and works frequently with local businesses, governments, and residents as they purchase EVs, build charging infrastructure, and develop EV friendly policies. The Council's state policy work is directly informed by experience with what has worked, or is likely to work, at the local level. The Council is almost unique in combining on-the-ground work on a number of energy and climate change-related issues with concurrent work on state and federal policy issues. The Council is also pioneering a number of on-the-ground activities to promote alternative transportation and EVs. In 2004, the Council shifted its primary focus to energy and transportation issues and is spearheading a regional effort to wean our communities from fossil fuels, on a net basis, during the next two decades. More information on the Council and its energy programs may be found at www.cecsb.org.

A summary of our comments follows:

- We applaud the Commission for creating a far-sighted vision of a much-improved distribution grid over the next 8-10 years

- We strongly urge the Commission to put as much emphasis on DER procurement improvement as on DER interconnection improvement
- We urge the Commission to implement a robust and cost-effective feed-in tariff as part of implementing AB 327
- We note the Commission's misreading of the statute as permissive with respect to "standard tariffs, contracts or other mechanisms" when the statute is mandatory on this issue
- We urge the Commission to be specific about ongoing and new data collection requirements designed to bring about a true "plug and play" grid

I. Discussion

a. General comments

The Council applauds the Commission for a near-comprehensive and far-sighted document designed to implement the Distribution Resource Plan (DRPs) requirements of AB 327. The Commission looks to create a multi-year process of steadily improving DER development by requiring at least a ten-year timeframe of biennial DRPs and sets forth a vision for how best to achieve the desired end goals.

The Council fully agrees with the Commission's intent to create a "plug and play" distribution grid for Distributed Energy Resources (DRP Guidance, p. 5). DER are an important and still significantly undervalued component of our grid. Many studies have found very large potential for cost-effective DER. AB 327 recognizes this potential by requiring the utilities to create comprehensive DRPs by June 1, 2015. The DRP requirements of AB 327 fall into three general categories: 1) interconnection improvements; 2) procurement; 3) data collection. The traditional three-legged stool of DER project development includes

interconnection, obtaining a PPA (procurement) and permitting. The Commission has jurisdiction over the first two but not the third category, so it is appropriate that AB 327 does not dwell at all on permitting issues. The DRP Guidance focuses primarily on interconnection and data issues and we urge the Commission to focus similarly and equally on procurement issues from the outset of this multi-year process. The lack of contracts for various types of DER is probably the most serious issue facing developers today,[1] so to not focus on this issue from the outset is to miss a very large opportunity. Interconnection improvements are equally important for long-term DER development and much work remains to be done in this area. However, the Commission should devote equal time to interconnection and procurement issues from the outset.

In terms of procurement, our primary concern is that California has historically been too focused on the central-station generation model. The California Solar Initiative has been a laudable program for rooftop solar, but the "sweet spot" of wholesale distributed generation has generally gone underutilized in California to date. While renewable generation between 1-3 MW, capable of utilizing current Fast Track interconnection procedures and in many cases small enough to fit on parking lots or large rooftops, can capture much of the economies of scale of much larger projects, they can also enjoy far higher locational benefits due to their placement close to load. As such, the value offered by small utility-scale projects can often be greater than for very large projects. And yet California's energy policy does not reflect this fact. The DRPs required by AB 327 are a large step toward rectifying this problem, but the potential of the DRPs will not be realized without equal focus on procurement and interconnection.

[1] See Hunt's article highlighting the lack of opportunities for renewable energy DER today: http://www.greentechmedia.com/articles/read/Saving-Californias-Small-Utility-Scale-Renewable-Energy-Market.

The ReMAT program is far too small given the potential for this niche (ReMAT only amounts to a few hundred MW statewide). By creating a "plug and play" grid for DER, the Commission should focus equally on how to procure projects that can plug and play. We understand the need for a phased development approach in the long-term plan the Commission is pursuing, but at this point the focus is far too little on the key procurement considerations that must accompany the key interconnection considerations for successful deployment. The economic development opportunities through widespread development of cost-effective DER could be very large for California. In a time when unemployment is still well above 7 percent, we urge the Commission to fully consider the job growth and economic development benefits of the new DRP process.

We fully agree that: "One integral step in this process is the need to dramatically streamline and simplify processes for interconnecting to the distribution grid to create a system where high penetrations of DER can be integrated seamlessly." (Id.) The Clean Coalition has for a number of years recommended an "Interconnection 3.0" approach that would include an online portal for parties to query particular locations for DG facilities and receive actionable interconnection information about costs and feasibility almost instantaneously. The Council fully supports the Clean Coalition's work in this regard and we note here that the DRP Guidance should be made more explicit on this issue. What does "plug and play" mean specifically? And what constitutes "dramatically streamlined" interconnection processes?

Council attorney Hunt has been active in the Commission's Rule 21 reform proceeding since its inception (R.11-09-011), representing the Clean Coalition, and in related CAISO tariff reform proceedings. The Council is both very heartened by the Commission's statements in the present proceeding on streamlining interconnection and highly concerned by the lack of substantial

progress in R.11-09-011 on key components for streamlining interconnection. Specifically, the current cost certainty issues that are being dealt with in R.11-09-011 appear to have become bogged down and we urge Commissioner Picker and Commission staff to work closely with the Energy Division on interconnection issues in order to ensure that the dramatic streamlining called for here happens within a reasonable timeframe in R.11-09-011. The "plug and play" features called for in this proceeding will require a largely automated interconnection process and much-improved interconnection cost certainty process. Without litigating the issues in detail in the present proceeding, the Council notes that the IOU "fixed cost" proposal currently being considered in R.11-09-011 will constitute a small incremental step toward true plug and play capabilities, because it will provide cost certainty to only those projects that least need it, and we urge the Commission to aim higher at this time. Coordinating this DRP proceeding with R.11-09-011 and related proceedings will be key for achieving the aims of the DRP Guidance.

The Council also notes its agreement with the Commission's suggestion that the DRPs should be an iterative process. The DRP Guidance states (p. 6):

> Finally, although § 769 appears to call for a one-time exercise in this new method of Distribution Planning, there appears to be general agreement that this should really be an on-going, cyclical process that will repeat over time to incorporate how technologies and market policies are evolving and to take advantage of lessons learned in previous cycles. In addition, it is important that these DRPs reflect not only the prospect of an iterative process going forward, but also recognize and map how each Utility's Smart Grid Deployment Plan will support the DRP initiative.
>
> For this reason, one of the most important recommendations of this guidance document is for the Commission and Utilities to adopt a biennial DRP filing cycle

We agree that the DRPs should be updated every two years.

b. The DRP Guidance mis-states the Commission's jurisdiction over DER

The DRP Guidance states (p. 10, emphasis added):

> [I]t is assumed in this proceeding that DER will mostly be interconnected at the distribution voltage levels (4kV – 16kV or lower) and at sizes of 20 MW or less. This definition puts all DER within the jurisdiction of the Commission, except to the extent that distribution-connected or interoperating DER may participate in the wholesale market.

To the contrary, the Commission does have jurisdiction over wholesale DER in terms of interconnection tariffs and procurement, as is clear from the fact that Rule 21 applies to wholesale as well as retail interconnections and, of course, the IOUs have or have had many procurement programs that apply to wholesale DER as well as retail DER (AB 1969, AB 32, AB 43, to name a few).

Where the Commission does not have jurisdiction is in interconnection of generation or storage to the transmission grid, which is governed by FERC and CAISO tariffs due to the interstate commerce implicated in transmission lines. If this issue is unclear to the Commission we urge the Commission to request briefing from parties.

c. Standard tariffs and contracts

AB 327 requires that IOUs propose or identify "standard tariffs, contracts or other mechanisms" for deployment of cost-effective DER. The DRP Guidance document mistakenly suggests that the law is permissive in this regard, stating that the IOUs "may" offer such (DRP Guidance, p. 21). Rather, AB 327 states that IOUs "shall" offer such, which is mandatory language, not permissive.

Public Utilities Code Section 769, added by AB 327, states, in part (emphasis added):

> (b) Not later than July 1, 2015, each electrical corporation shall submit to

> the commission a distribution resources plan proposal to identify optimal locations for the deployment of distributed resources. Each proposal shall do all of the following:
> …
> (2) Propose or identify standard tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed resources that satisfy distribution planning objectives.
> …

"Standard tariff" refers to what is generally known today as a feed-in tariff. The same phrase is used today in Public Utilities Code Section 399.20,[2] describing the small generation feed-in tariff pursuant to AB 1969, SB 32, and SB 122, and Public Utilities Code Section 2841,[3] requiring utilities to offer a standard tariff for combined heat and power (CHP) facilities. The small generation feed-in tariff states (section 399.20(c)): "Every electrical corporation shall file with the commission a standard tariff for electricity purchased from an electric generation facility." The Commission has always described this as a feed-in tariff, including in D.12-05-035 and the recent Proposed Decision implementing SB 1122 in R.11-05-005.

The CHP feed-in tariff language states: "Every electrical corporation shall file with the commission a standard tariff for the purchase of excess electricity from an eligible customer-generator." The standard tariff that was implemented pursuant to this section is a feed-in tariff, as the Commission itself recognizes with its description of the tariff as such.[4] Only once in the Public Utilities code does the term "standard tariff" refer to anything but a feed-in tariff and this is a reference to the standard net-metering tariff in section 2827. This prevalence of "standard tariff" referring to a feed-in tariff should be considered strong evidence that the Legislature intended the "standard tariff" language in AB 327 to refer to a feed-in tariff.

[2] http://law.onecle.com/california/utilities/399.20.html.
[3] http://codes.lp.findlaw.com/cacode/PUC/1/d1/2/8/1/s2841
[4] http://www.cpuc.ca.gov/PUC/energy/CHP/feed-in+tariff.htm

Accordingly, the IOUs must at the least "propose or identify" standard tariffs, contracts or other mechanisms and the DRP Guidance should make this clear. The DRP Guidance contravenes the plain meaning of the statute by not requiring IOUs to "propose or identify" these tools and, perhaps even more seriously, limiting any consideration of this legislative language to demonstration projects only (DRP Guidance, p. 21). This addition and limitation of the plain meaning of the statute is contrary to accepted canons of statutory interpretation and must be changed.

It appears that the Commission misunderstood the "standard tariff" language to refer only to interconnection tariffs, as evidenced by the additional statement in the DRP Guidance (p. 21) that the DRPs should "Outline all relevant existing tariffs that govern/incent DERs (ex: NEM, EV-TOU, Rule 21)." NEM, EV-TOU and Rule 21 tariffs are all interconnection tariffs, not procurement tariffs. As mentioned above, only once in the Public Utilities code does "standard tariff" refer to interconnection tariffs (section 2827 on NEM).

The DRP Guidance also states that this proceeding is not the place for any new DER procurement targets because that may conflict with other proceedings (DRP Guidance, p. 11). Some types of DER procurement goals would conflict with other open proceedings, such as demand response and energy efficiency. This is not the case, however, with renewable energy DER because there is no current proceeding considering additional DER procurement except for larger projects under the Renewable Auction Mechanism. There is a dearth of opportunities, however, for the "sweet spot" of renewable generation DER of 3 MW and less.

d. Standardized DRPs

The DRP Guidance states: "The DRPs filed by July 1, 2015 should be consistent

with each other in structure and content so they may be more easily compared and analyzed." The Council fully agrees with this direction. We urge the Commission to issue a template as part of its final guidance document.

e. Locational net benefits

The Council strongly supports the guidance regarding calculation of locational net benefits (DRP Guidance, pp. 16-17). We also urge the Commission to include at least some discussion of the potential for economic development in disadvantaged communities from the development of DER. Smaller projects like those envisioned by the DRP Guidance can, as mentioned above, be a true economic boon for California and, particularly, for disadvantaged communities.

f. Data

The Council supports the DRP Guidance (p. 21) in terms of its call for data collection. However, the DRP Guidance focuses only on procedural issues for data collection and not on the substance of what will actually be collected. We recommend instead that the Commission examine in more detail what data is currently required to be produced by the IOUs, as part of the interconnection and related DER proceedings, and to "fill in the gaps" in current data collection requirements. In terms of interconnection data, we also recommend that the IOUs be required to improve current utility online maps and Pre-Application Reports by producing data at the line section level rather than the circuit level because Fast Track interconnection analysis is performed at the line section level not the circuit level.

The DRP Guidance calls for development of maps and models for use by third parties (p. 25). The IOUs already have Google Earth maps and data overlays for distributed generation interconnection so it would make sense for this format to be the common standard for any data developments.

g. Electric Vehicles should be featured more prominently

We reiterate our Scoping Memo comments here in terms of the need to feature EVs more prominently in the DRPs because of their grid storage and balancing capabilities. As excess solar generation becomes more of an issue in California, EVs represent a major part of the solution for over-generation.

This very substantial behind-the-meter storage asset is being considered in the energy storage proceedings (R.10-12-007 and the consolidated energy storage procurement applications), as well as in the Alternative Fuel Vehicle proceeding (R.13-11-007), so the Commission is devoting serious resources already to these issues. However, we urge the Commission to ensure adequate consideration of EV issues in relation to the DRPs because of the stated intent of the Legislature in AB 327 to explicitly include electric vehicles in the definition of "distributed resources" (Public Utilities Code Section 769(a)).

Section 769 directs the Commission to consider various options for cost-effectively deploying DER to "satisfy distribution planning objectives" (769(b)(2)), to coordinate existing programs to "minimize the incremental costs of" DER (769(b)(3)), to identify "any additional utility spending necessary to integrate" cost-effective DER into distribution planning "with the goal of yielding net benefits to ratepayers," (769(b)(4), and to identify barriers to the deployment of DER, including safety standards, (769(b)(5)), all of which require full consideration of EVs, as a type of DER, and their benefits in the DRPs.

The Commission and IOUs should pay particular attention to the net benefits of rate-basing distribution grid upgrades that are deemed necessary to

accommodate future adoption of EVs in areas that are already seeing relatively high adoption. The Commission has, in R.13-11-007 and its predecessor proceeding, provided temporary waiver of the allowance limitations for EV charging at homes with EVs. This is, however, only temporary, and the present proceeding may be a suitable venue for revisiting this issue and providing authority, if net benefits are projected from such upgrades, for the utilities to rate-base certain distribution grid upgrades for areas where EV adoption is expected to be high, as provided for in Section 769(d).

h. Barriers to DER deployment

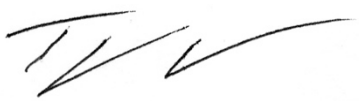
The Council supports the DRP Guidance's call for the DRPs to describe barriers to DER deployment (p. 22). We urge the Commission, however, to also have the parties provide comments/briefs on this important issue. The DRPs will, of course, be utility-centric and the parties developing DER resources are the entities with the most knowledge of barriers to deployment.

II. Conclusion

We urge the Commission to adopt our recommendations described above.

Respectfully submitted,

TAM HUNT



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